

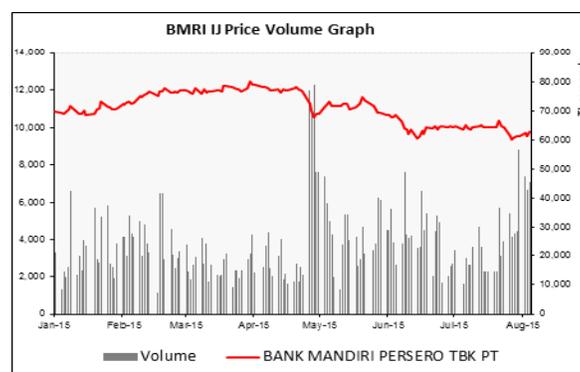
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PT Bank Mandiri (Persero) Tbk is formed by the merger of four state-owned banks, namely PT Bank Bumi Daya, PT Bank Dagang Negara, PT Bank Ekspor Import Indonesia (Bank Exim), PT Bank Pembangunan Indonesia (Bank Bapindo). The bank operates in the commercial banking services.

Current Price: IDR 9,650

52-Week Target Price: IDR 12,480



Source: Bloomberg, Sinarmas Investment Research

Share Price Performance

Price (IDR)	9,650
52-Week High (05/30/14)	12,550
52-Week Low (05/11/15)	9,275
YTD Change/%	-1,125.00/-10.44%
P/E	11.14
P/BV	2.10

Stock Information

Market Cap (IDR)	225,166.7B
Shares Out/Float (IDR)	23,333.3M/9,333.3M

Source: Bloomberg, Sinarmas Investment Research

Company Update

PT Bank Mandiri (Persero) Tbk

Margin Expansion in 2H15

NEUTRAL

We maintain our Neutral stance on BMRI with 52-Week TP of IDR 12,480. As of 1H15, Bank Mandiri reported Net Profit of IDR 9.9 tn (up 2.7% YoY). The bank managed to book 16.7% increase in Net Interest Income compared to the same period last year. While Net Interest Income still reported a robust growth, the bank trimmed the bottom line with provision, as a strategy to be pro-active in handling special mention loans. While bottom line may be flat for FY15E, NIM may expand in 2H15.

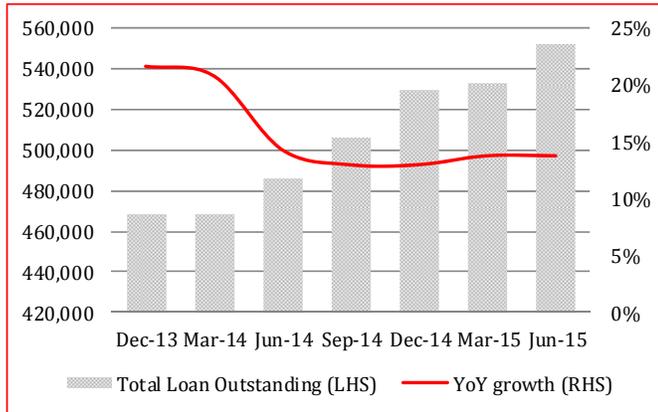
Total loans grew by 13.8% YoY, while total customer deposits grew by 17.8% YoY. The growth in credit was driven by Commercial and Corporate (up IDR 25.2 tn or 20.4% YoY and IDR 15.5 tn or 9.6% YoY respectively). Credit to Micro also reported a superb performance by achieving 28.2% YoY growth, although it only calculates for 7.2% out of the total loan portfolio. On liabilities, the YoY growth was driven by Demand Deposit and Time Deposit, which reported 40.2% YoY growth and 19.3% YoY growth respectively. The bank plans to reserve NIM by keeping TD rates low once liquidity is sufficient. While NIM has slowed down to 5.8% (dn 10 bps YoY), if we look month-to-date, NIM has been accelerating from 5.1% in February 2015 to 6.0% in May 2015.

As of June 2015, consolidated gross NPL stood at 2.4% (up 0.2% YoY), comprised of Bank-only NPL at 2.0% (up 0.2% YoY) and BSM's at 6.7% (up 0.2% YoY). The bank has been pro-active on re-classifying category 2 loans, which drove provision by 50.6% YoY. At the end of 1H15, BMRI's category 2 loans stood at 5.3% of total portfolio (up 100 bps YoY). However, due to lower reserve required in the Shariah unit, consolidated coverage ratio was relatively low (137.7%, dn 32.6% YoY), despite 168.0% for bank-only. Management stated that coverage ratio might reach 130.0% by year-end. **All things considered, we maintain our Neutral stance and recommend Buy on Weakness with 52-Week TP of IDR 12,480, given margin expansion in 2H15 but higher provisioning.**

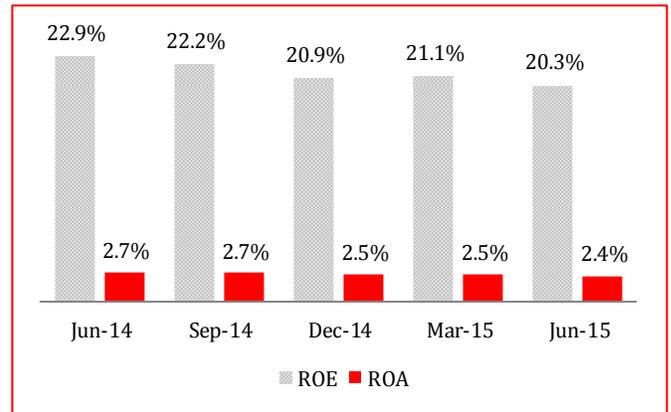
Financial Highlights

	2Q14	3Q14	4Q14	1Q15	2Q15
NIM	5.9	5.8	5.9	5.4	5.8
Net Profit (IDR Bn)	4,661	4,868	5,418	5,138	4,786
Total Assets (IDR Bn)	764,938	798,161	855,040	868,348	914,075
Total Loans (IDR Bn)	485,844	506,456	529,974	532,824	552,778
Total Deposits (IDR Bn)	555,920	590,890	636,382	628,712	654,858
CASA Ratio	62.2	61.2	59.8	59.2	61.7
Cost of Fund	3.3	3.9	3.8	3.9	3.6
LDR	87.0	85.3	82.9	84.4	84.1
NPL Ratio (gross)	2.2	2.2	2.2	2.3	2.4
NPL Ratio (net)	0.8	0.8	0.8	0.9	1.0

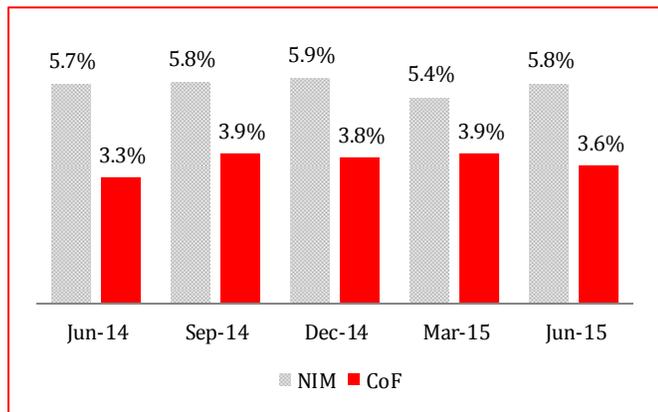
Source: Company Data, Sinarmas Investment Research

Total Loan VS YoY Growth


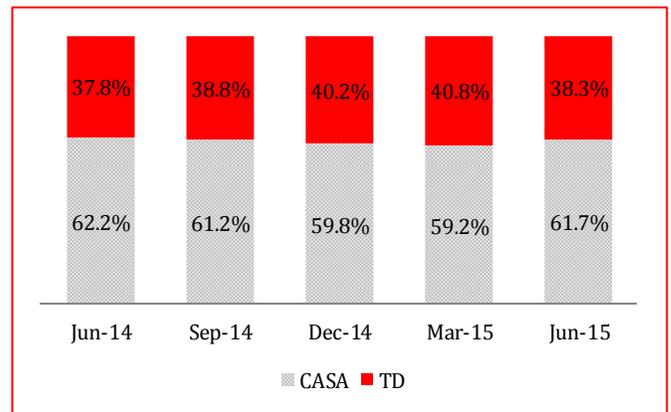
Source: Company Data, SinarMas Investment Research

ROE VS ROA


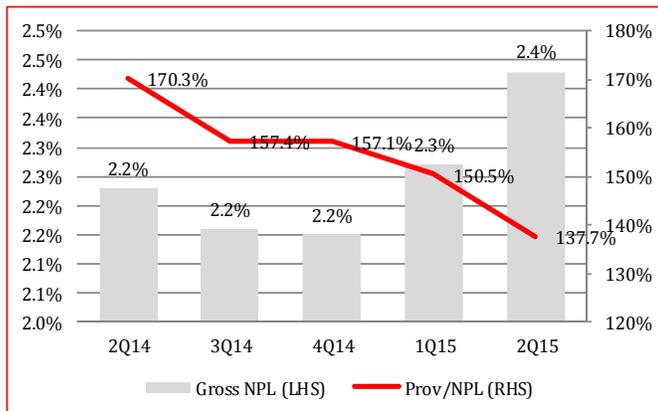
Source: Company Data, SinarMas Investment Research

NIM VS CoF


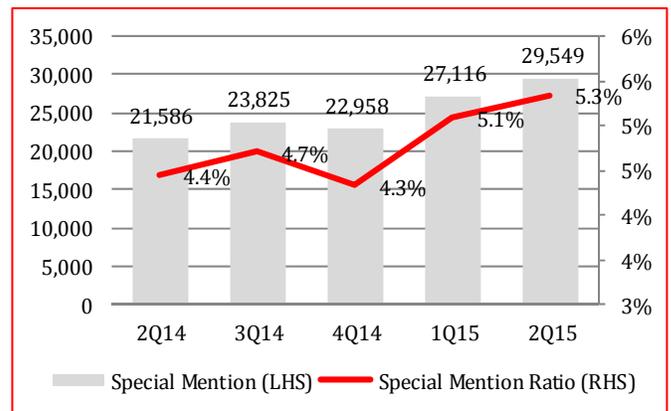
Source: Company Data, SinarMas Investment Research

CASA Position


Source: Company Data, SinarMas Investment Research

Gross NPL VS Coverage Ratio


Source: Company Data, SinarMas Investment Research

Category 2 Loans


Source: Company Data, SinarMas Investment Research

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